

**FINAL REPORT
FOR THE URBAN INSTITUTE
PROJECT NO. 180-0034**

by

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**RFS-55
TRAINING ON THE DEFERRED
PAYMENT MORTGAGE
OTP BANK
BUDAPEST, HUNGARY**

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Project Objective

The objective of this RFS is to train OTP bank loan officers and branch managers to:

1. understand and comfortably discuss the benefits of the DPM
2. demonstrate the computer simulation for DPM under a variety of projected scenarios
3. demonstrate proficiency in basic sales skills such as establishing rapport, presenting benefits, overcoming objections and negotiation
4. develop selling strategies with respect to the DPM

Background

In May 1994 a \$20 million Housing Guaranty Loan Program for Hungary was signed. One of the measures supported by the program is the introduction of new affordable mortgage instruments. The National Savings Bank (OTP) was the first bank to introduce such an instrument, the Deferred Payment Mortgage (DPM), in February of 1994.

USAID has provided the bank with extensive technical assistance since 1991 in the design of the instrument. In addition, USAID advisors have worked with OTP staff to outline some ideas for marketing and to review servicing functions. In the summer of 1994 a USAID advisor prepared a proposal for a training program for bank loan officers and branch managers on the DPM. This RFS continues work begun under RFS #41 and is included as a part of the Project 0034's Hungary Housing Sector Strategy.

Scope of Work

The primary purpose of this project is to provide a DPM sales training program for the loan officers and branch and loan department managers. When the DPM loan was introduced, intensive training about this loan product was not provided.

Development: January - March 1995

Two instructional design specialists will work with OTP staff to design a comprehensive product and sales training program for the DPM. The team will prepare all instructional manuals, all teaching materials and all student materials for a two-day training course.

An additional task will be to modify the demonstration computer model currently used by loan officers at OTP to add "consumer-friendly" screens.

Training of Trainers - April 1995

After the course development, 10-15 OTP branch network staff will be recruited and trained to deliver this course. The course will be delivered initially to OTP branch managers and later to loan officers.

Additional technical assistance under this RFS after the Training of Trainers will involve fine-tuning the training documents and advising on the initial course delivery as needed.

Project Team Members

OTP's project team members are:

- Dr. Boros Gabor, Head of Department (Training Center) and Team Administrator
- Dr. Segesvary Gabor, Senior Consultant (Training Center)
- Dr. Huszar Agnes, Senior Consultant (Training Center)
- Horvath Balazs, Senior Consultant (Economic and Business Policy Division)
- Biro Peter, Housing Loan Department - left the team in mid-February
- Muranyi Antol (Training Center) - joined the team in April

Team Advisor: Gyori Zita (Network Department)

US Team Advisors: Christine Ekkebus and Judy Tourtellot

Work Schedule

The two US Advisors made two trips to Budapest to work with OTP's project team members:

- Between January 16 through February 11, 1995, needs assessments were conducted, course objectives were identified, draft lesson plans and evaluation materials were developed. This represents 48 work days.
- Between March 27 through April 14, 1995 course materials were finalized and trainers within OTP's training department were trained in the delivery skills necessary for this two-day course. This represents 35 work days.

Development of Work

The work project was conducted in several phases using the members of OTP's team and the advisors:

- Needs Assessment information was gathered through interviews with various members of OTP; including, Szabolcs Kovesdi (Marketing Manager), the Branch Manager and loan department staff members at the District 22 office, and the review of articles and other printed material available.

- Course objectives were developed using the needs assessment information. These objectives were used to prepare draft lesson plans and draft student evaluation materials.
- A “dry run” reviewing these draft lesson plans was conducted so that improvements could be suggested to improve the quality of the lesson plans.
- Lesson plans were finalized and incorporated into an Instructor’s Manual and a Student’s Manual. To support these lesson plans, overheads and flip charts were prepared.
 - To aid on-the-job learning for OTP’s loan officers, a job aid was developed in the form of a small booklet that can be kept at their desk for quick reference. This job aid contains: a summary of how a professional loan officer approaches their job, a summary of each element of a sales presentation and necessary communication skills, and a recap of how to use the CPP (Customer Presentation Program).
- The evaluation process was finalized with student evaluations being conducted prior to each class, at the end of each class, 30-days after each class and three-months after each class. This is an important process to aid in the increase in DPM loans closed and to improve the quality of customer service. The evaluation also included feedback from the trainers on the overall success of the program. A proposed customer evaluation was designed as well.
- A train-the-trainer course was developed and held with the objective to prepare OTP’s training department staff members to train their in-house trainers. The training staff members conducted the two-day program with the technical advisors as observers. This also provided another opportunity to “test” and fine-tune the course materials and to ensure that OTP had in-house experts in this course material.
- The CPP that loan officers use with the customer to aid in selecting the best loan type has been revised with substantial improvements making this a more user-friendly model and a better customer handout.

Course Overview

There are **11 topics covered within this two-day course**. The time spent on each of these topics ranges from 30 minutes to four hours:

- Introduction to Change
- Introduction to Total Quality Customer Service
- The Definition of a Professional Loan Officer
- Inflation and Long-Term Lending
- The DPM
- How to Present DPM to the Client
- Fears, Concerns and Objections
- Introduction to the Concept of Sales
- The Definition of Customer Interactions
- Introduction to Communication Skills
- Introduction to Sales Techniques

The **lesson plans are designed to be inter-active** because students learn at a faster pace and the learning activities are job specific. This allows the students an opportunity to learn new knowledge and techniques and to practice them before they are expected to use them on the job. There will be no more than 20 students per class and there will be 10 PC's per class.

The **target audience** of this course is OTP's housing loan officers. The bank also will train Loan Department Managers from larger branches and Branch Managers from smaller branches that do not have a Loan Department Manager. This represents about 636 people. Students will be invited to this course by memo.

The **trainers** for this course were selected from within lending jobs at OTP; for the initial training sessions, fourteen trainers were chosen. Training for Trainers was held for three days during the week of April 18, 1995.

The **training schedule** begins with the first group of approximately 200 students, beginning with managers, May 2, 1995. The next group of approximately 400 students will be trained beginning in September 1995.

Training locations will be the five training centers OTP has throughout Hungary. Where appropriate, students will arrive the night before the course starts and stay overnight the first night of the course.

Suggestions Related to this Project

Needs Assessment

If there had been adequate time, the best way to design a course is to gather relative job-specific information from the target audience of the course prior to course development. Some ways to conduct a needs assessment would be to design a three-page survey directed to loan officers (100) involved in the selling of the DPM loans. The survey would focus on further defining the tasks, responsibilities, knowledge and skills needed to promote the DPM. With this information we could further refine the training and then use this survey as a pre and post test. Another form of needs assessment combined with the survey would be to conduct interviews with loan officers either individually or in small groups to further refine the written survey results. In addition, directed observation of loan officers in the branches at several locations would be an additional way to further understand the loan officer's job and his/her environment. By gathering information from loan officers, trainees would learn about what is being developed and understand that their input is important to the training program. A benefit of involving loan officers in the development of the training is to get their support of the training and to focus on the specific needs of the loan officers. It would have been valuable to have had this done prior to our first trip because we would have been able to survey a broader proportion of our target training audience (loan officers). Job descriptions that clearly defined tasks of loan officers would have been valuable as well.

Benchmark Data

The bank did not have a clear measurable expectation as to what was expected as a result of this course; in addition OTP decided not to identify explicit evaluation benchmarks associated with the training course, citing such reasons as the rapidly changing Hungarian economy.

Through discussions it was identified that the bank expected a higher volume of DPM loans closed and to have their loan officers be more client oriented. It is usually preferred that a measurable goal be established, such as:

- increase DPM loans during 1995 by 5%
- measure number of DPM loans per branch in 1994 and in 1995 and compare results and set goals per branch
- measure customer's opinion of loan officers' performance through written questionnaire and to re-survey in one year

The impact of having such data available not only helps measure the success of the training, but it makes it much clearer to the trainers and the participants the purpose and importance of the DPM program to OTP. With a continual measurement, loan officers can be involved in establishing their individual goals and measuring their individual progress and relate it to the success of DPM loans to OTP. Interestingly, the OTP loan officers selected to conduct the training also remarked that they have found benchmarks useful.

Training Participants

The target audience was identified to be housing loan officers and course material was designed to be job-specific to their functions. However, it was also identified that Loan Department Managers (who supervise loan officers in larger branches) and some Branch Managers (those from branches that did not have Loan Department Managers) be included in this two-day course. It is very important that people in these positions have DPM knowledge and that they understand the communications and sales techniques being presented in this course. However, it is recommended that instead of attending a two-day course that they should have attended a half-day executive briefing. Many of the job-related student activities do not relate closely to their job responsibilities. Instead, they need to know enough of the material to promote the DPM loan, to supervise their loan officers and to handle customer problems.

Training Classes

Additional classes are recommended for the participants to reinforce the new sales skills introduced in this course. The additional class content may include additional sales training where students could share the experiences, problems and improve their sales experience through additional targeted sales training by the instructors. Also, when loan product changes are made, additional classes should be held for the appropriate housing loan staff.

To increase DPM sales, telemarketing training could be provided. This should include both the handling of inbound calls to loan officers regarding loan requests and outbound calls to potential housing customers.

Consumer Education

To increase consumer loan interest, OTP could provide seminars conducted by loan officers on how to: purchase or build a home, work with developers, qualify for a loan, etc. This could actually reduce the loan officer's workload by enabling him or her to provide a good deal of basic and general information to many people at the same time.

Job Descriptions

In an organization that wants to be more client and sales oriented, job descriptions for loan officers, loan group managers and loan department managers should be revised to identify and reinforce these new job expectations. It is our understanding that this is underway.

“DPM Success” Strategies Beyond the Scope of This Training Project

This training will be a catalyst. New ways of thinking about management strategies, customer needs and the role of the loan officer as a skilled professional will be the result of the training.

The role of the loan officer will probably evolve into one of a more customer and sales oriented outbound selling role. Increased demands from the customer and OTP will dictate that the loan officer will need to be highly trained and specialized. For example, the newly revised computer model program (CPP) will assist the loan officer and the customer in understanding housing finance better. This revision was a direct result of the training program.

OTP is in a unique position because of its size and past history. OTP is moving into a more privatized bank and will need to adjust to these new demands from shareholders as well.

Expectations from customers and shareholders will help mold the “new” branches and the employees that staff them.

The following “DPM success” suggestions are made based on our limited exposure to top management philosophy and the inner workings of OTP Bank. Some of the following recommendations are ambitious and will require a big change, but others are much easier and with a small investment will yield a big payoff.

Sales Culture

Creating a consumer-oriented sales culture takes years to put successfully in place. It starts with a commitment from the most senior management team of the bank. In order to be successful, all divisions and departments of the bank need to be involved and committed to success. This seems to be an appropriate direction for OTP based on the major economic shifts in the Hungarian economy and the growing competition that private banks will provide. However, OTP is in a great position due to their current high market penetration within the country’s population.

Human Resources

Future new-hires should be selected based on their knowledge that the bank expects a high level of customer service. In some positions this would also be “selling” products to the customer instead of being an “order” taker. Job descriptions should be revised to include specific expectations. Compensation programs should be reviewed and restructured to reward employees that meet or exceed expectations toward sales and customer service. In the United States, successful mortgage companies and mortgage-driven banks hire loan officers that go out of the branch offices and seek new mortgage customers. Their compensation is usually based on commissions from the loans they solicited. Jobs are structured so that the loan officer spends the bulk of their time developing new business and working with potential customers. The processing, closing, underwriting and servicing of loans is performed by back-office staff and not the loan officer. (OTP loan officers perform most of this back-office work and work with the customers.)

Marketing

Marketing brochures need to be brief and easily understood by the customer and written from a customer viewpoint. Marketing could develop housing sales materials for real estate agents and developers that would sell OTP when they were working with their clients. During the development of the training program, much useful information was written as tools for the loan officers to help sell the DPM. This information could easily be adapted to create new, easier-to-understand brochures for the consumer.

Business cards should be provided to loan officers. (Currently, the loan officers expect the customer to write down the loan officer’s name and telephone number.)

Loan Department

Currently, the Loan Department provides a list of housing developers for the branch network. The list is for Hungary and it is recommended that a list be typed, developed by region and given to customers. Currently, customers are told the names of some developers and they write it down on paper.

Branch Network

OTP should consider designing branches to be more consumer friendly. For example, a private area could be set up for loan officers to discuss lending needs with clients. A computer with laser printer should also be included in this area. A way to “queue” waiting customers should be identified. (Currently loan officers usually work with clients at a counter, standing up and with other customers nearby waiting for assistance. Sometimes, it is so busy, that loan officers work with more than one customer at a time.) Desks with chairs for the loan officers and customers with a more private environment equipped with a desk, computer and laser printer would greatly enhance the customer-loan officer relationship.

Specifically regarding the screens themselves, we are very impressed with the ease of use and the graphic dimension. The screens are much easier to understand and more customer-oriented. The only two suggestions we would have are, adding the name of the loan officer and the name of the client to the screens. Wording such as, “This data was designed exclusively for _____ (name of customer) by _____ (name and phone number of the loan officer).”

Customer Feedback

It is recommended that housing loan customers be surveyed to measure customer satisfaction with OTP’s housing finance products. Loan clients can be surveyed either by written evaluation (Agnes Huszar has developed a survey tool) and/or focus group meetings could be conducted with customers.

Included with this Report are the following Training Products Developed:

- A DPM Sales Training Instructor’s Manual
- The Student Workbook
- The Student Job Aid
- Training for Trainers Workbook
- Evaluation Program
- CPP Screens

Hard copies and diskettes (in English & Hungarian) are included.